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SIXTIETH ANNUAL REPORT

DECEMBER THIRTY-FIRST
1965

THE MONARCH LIFE ASSURANCE COMPANY

HEAD OFFICE WINNIPEG



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THE MONARCH LIFE ASSURANCE COMPANY

Ten Years of Development

	1955	1960	1965
Total Income	\$ 8,332,566	\$ 12,820,138	\$ 19,428,593
Increase in Reserves for future payments to policyholders and beneficiaries	3,405,239	3,892,650	7,363,734
Payments to Policyholders and Beneficiaries	2,458,498	4,957,466	7,270,850
Assets	54,005,306	77,490,545	117,349,906
Capital and Surplus	5,738,712	8,735,017	13,279,834
Sales	43,938,470	70,545,111	93,550,569
Business in Force	283,057,576	444,734,461	616,434,269
Net Interest Rate Earned	4.59%	5.39%	5.81%

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The Sixtieth Annual Meeting of The Monarch Life Assurance Company was held at the Head Office, in Winnipeg, on January 25, 1966. Audited statements of the results of the Company's operations in 1965 were presented by the Directors and adopted by the members of the Company.

Canada was prosperous in 1965, and the Monarch shared in that prosperity. Sales were the largest in the Company's history, assets increased by more than in any previous year, and the net interest rate earned was the highest since the early thirties.

Sales of insurance and annuity plans amounted to \$93,550,569, 15% greater than in 1964, and 9% greater than in 1961, which was the best previous year.

Many complex and time consuming adjustments had to be made in the employee pension plans insured by the Monarch, because of the effect of the Canada and Quebec Pension Plans, but an important result for the Company has been that many employers have taken this occasion to examine the effectiveness and adequacy of the plans they have had for their employees. The very satisfactory outcome, from the Monarch standpoint, has been that our premium income from this part of our business, has increased substantially.

At the beginning of 1965, we introduced two new plans of insurance which, we believed, were well suited to the needs of the young family men who form a rapidly growing part of the Canadian population. These new plans have proved to be popular, and they accounted for 29% of our Ordinary insurance sales last year.

At mid-year, we opened a new branch office in northeast Toronto, and our district office, in Oshawa, was changed to full branch status.

Good times and full employment enlarge and improve our potential market, but they also increase the competition for men who are suited to the sales career. No doubt, every company can say that, if only more salesmen had been available, more sales would have been made in 1965. A salesman must be, and feel that he is, properly paid; he must receive, and feel that he is receiving, proper training and instruction and he must have, and feel that he has, first rate products to sell, at proper prices. Year by year, the Monarch searches for and finds improvements in one or other of these areas. In 1965, as has been noted, some attractive plans of insurance were introduced. During 1965, we completed the development of a new compensation plan both for our present sales force and for newly engaged

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salesmen, and this was put into use on January 1, 1966. We think it is the right plan for today's conditions, and we believe it will help achieve the desired result that, by paying more to the competent salesman, we will make overall sales cost less.

The rate of voluntary termination of individual policies was very slightly higher than in 1964. The "lapse" problem requires unceasing attention, and while the present rate is not unsatisfactory, we hope to reduce it by new measures introduced in 1965. The mortality rate was a little higher than in 1964.

The net effect of sales, adjustments, terminations, maturities and deaths was to increase our Business in Force to \$616,434,269, at the year end, from \$579,578,717 at the end of 1964.

In contrast to 1964, when interest rates and investment matters generally were rather stable, 1965 was a year of change and of problems and opportunities in the investment field.

The changed investment provisions of the Canadian and British Insurance Companies Act became law early in the year, and the life insurance companies have now scope for broader and more varied investment policy. Part of one year is not sufficient time for radical departures from old ways, but we, like the other companies, have begun to test out the possibilities offered by the new rules.

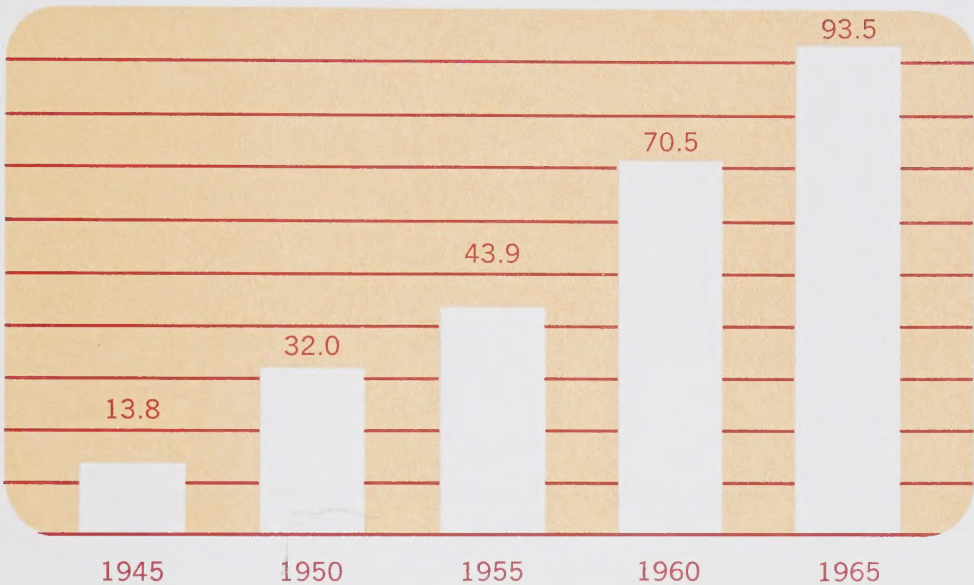
The change which had the most immediate effect was that which permits a mortgage loan of as much as 75%, instead of 66²/₃%, of the appraised value of the property. As it happened, however, after a very few months the demand for funds for all purposes, not only for mortgage loans, became so great that many lenders "ran out of money." The Monarch did not enter this period in an over committed position, fortunately, and we were able to provide funds for mortgages and real estate throughout the year. The opportunity we thus had for careful selection will prove, we believe, very advantageous to us.

Overall, mortgages and real estate presented the opportunities and received the emphasis in 1965, and so the proportion of our portfolio invested in most other types declined, while the percentage in mortgages increased from 28% to 32%, a percentage still below the average of all Canadian life insurance companies.

In good times, there is not much reason to worry about the collection of mortgage interest and principal, but even in the best of times, collection is by no means



NEW BUSINESS
(IN MILLIONS)



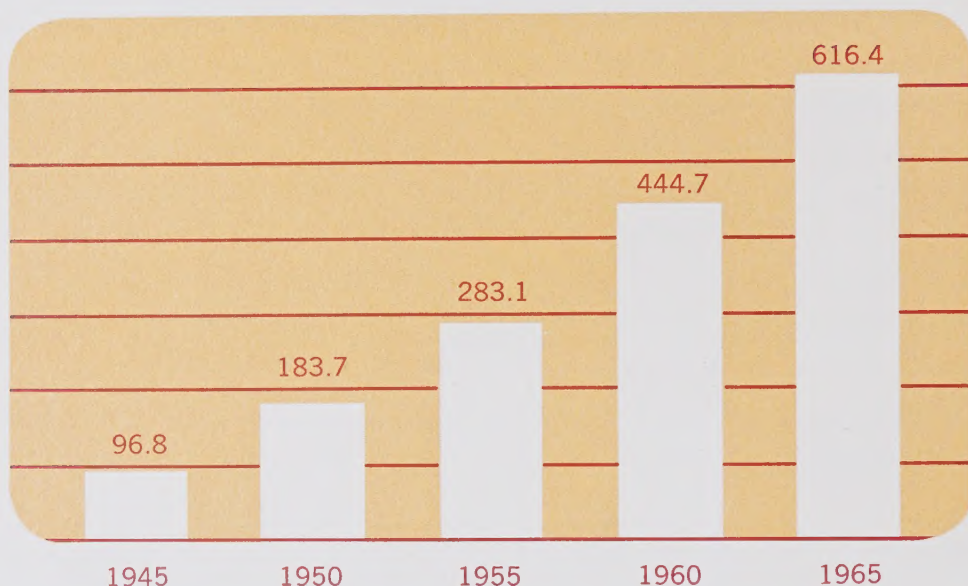
automatic. We keep a careful watch on this, and it is highly satisfactory to know that, with collections of mortgage principal, interest and taxes amounting to over \$7,800,000 in the year, the amount past due on December 31 was only \$5,000 and, of this, almost three quarters represents only one monthly payment outstanding.

The stock market dipped in mid-year, and then surged ahead again. Overall, it did not present the kind of situation which would lead the companies to take immediate and substantial advantage of the change in the permissible maximum investment in common stocks from 15% to 25% of total assets. Throughout the year, however, the Monarch carried out a carefully planned program of purchases of common stocks, and by year end, our holdings on a book value basis, had been increased moderately.

The general level of interest rates rose significantly during the year, and the interest rate earned on our portfolio rose, too, but because existing investments are always large in relation to the new, a life insurance company's earned rate is not

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BUSINESS IN FORCE (IN MILLIONS)



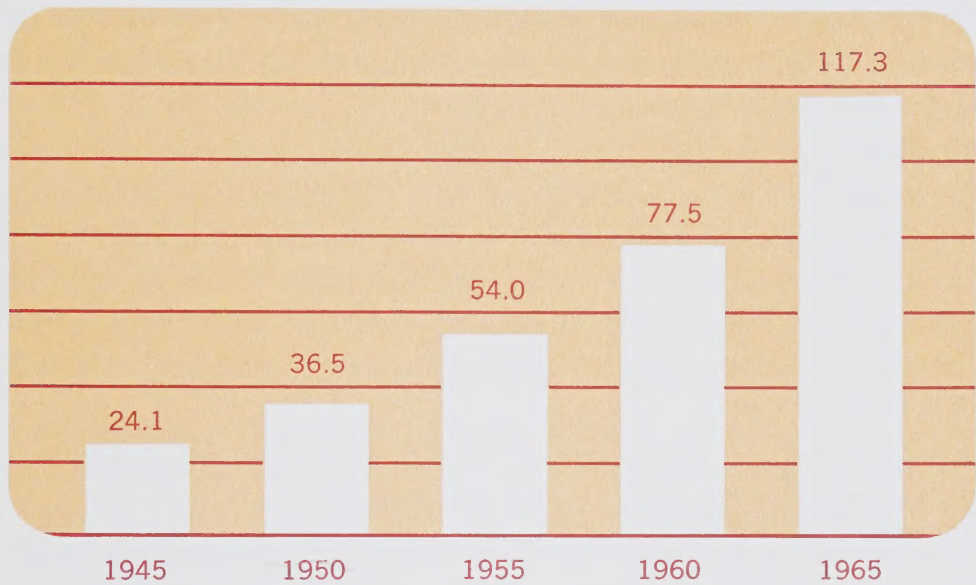
as volatile as the "new money" rate. Our gross rate increased from 6.00% to 6.12%, and our net rate, after deduction of investment expense, rose from 5.72% to 5.81%.

Higher interest rates are necessarily accompanied by lower security prices, and it follows that the margin between the book value of our portfolio and the total value, as authorised by the Department of Insurance, has decreased. At December 31, 1964, the margin was \$4,751,215, and by December 31, 1965, this had decreased to \$3,282,797, which is still a very satisfactory figure.

Net profits on the sale of securities during the year amounted to \$301,000 and these profits, together with the sum of \$107,000 from the general earnings of the Company, were used to write down the book values of some securities and of properties held for the Company's own use. During the year, we purchased the one small parcel of property remaining in the city block on which our Head Office stands. After these adjustments, the increase in our total assets was \$9,219,734 which is the largest increase in our history. Our assets now amount to \$117,349,906.



GROWTH OF ASSETS
(IN MILLIONS)



The distribution of our investment portfolio, by type of security, with the corresponding figures for last year, is shown in the following table:

		December 31	
		1965	1964
Government of Canada Bonds		3.6%	5.5%
Provincial Government Bonds		19.4	19.5
Public Utility and Transportation Bonds		12.4	13.1
Other Bonds		19.7	20.5
Preferred and Common Stocks		1.7	1.6
Mortgages		32.1	28.3
Real Estate:			
Properties purchased for income		3.6	3.2
Properties purchased for company use		2.1	2.3
All other Assets		5.4	6.0
		100.0%	100.0%

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An increased scale of dividends for our participating policyholders will go into effect in 1966, and the interest rate to be allowed on policyholder dividends and policy proceeds left on deposit with the Company has been increased to 5.1%. The half yearly dividend payable to shareholders as of January 1, 1966, has been increased from 50 cents per share to 55 cents.

Provision has been made for all of the unmatured obligations of the Company on the conservative bases in use for some years, and \$250,000 has been added to the reserve for general contingencies. In the report published last year the Policy Reserves, in the Statement of Financial Condition were, through an error, stated as \$82,738,754, instead of as \$82,918,623, and this error also affected the Statements of Revenue and Surplus. The 1964 figures, presented for comparison in this report, are the corrected ones.

After all appropriations and provisions, the sum of \$970,009 was carried to Surplus. The corresponding figure in 1964 was \$854,473.

The introduction of the Canada and Quebec Pension Plans not only affected the plans which other companies and organizations have insured with the Monarch Life, but affected the plan we have for our own employees and agents. A new plan for our people went into effect on January 1, 1966, coordinated with the government plans and incorporating other desirable changes.

In line with the practice being adopted by progressive Canadian companies, the Directors approved a by-law providing that a person may not stand for re-election to our Board after he has reached his 75th birthday.

We suffered loss, in 1965, through the deaths of two of the members of our Board. Mr. R. D. Turner, Q.C., President of Trans Air Limited, had not been a member for long but he had proved his worth, and much was expected of him. His sudden death on March 15, at the early age of 50, was a tragedy for all who knew him.

Mr. Hubert J. Bird, Chairman of Bird Construction Company Limited, had been a valued member since 1949. His death in England, on October 21, came as a shock to all his associates and friends.

These vacancies on our Board have been filled by the election of Mr. Price Rattray, President of C. H. Enderton & Company Limited, and Mr. Kenneth A. Powell, President of K. A. Powell (Canada) Limited.



During the year, three members of our staff who had served the Company for many years, retired under our Pension Plan. Mr. J. M. McLeod joined our staff in 1924, and had been Supervisor of Underwriting for nearly 20 years. Mr. G. R. Meech, C.L.U., joined the Company as a clerk in the Head Office in 1930. He transferred to the sales side of the business in the thirties and was a Branch Manager in Toronto for the past 26 years. Mr. S. W. Crozier also joined the Company in 1930, and after serving in various capacities, became Secretary, Sales Department in 1948. Each of these men has made a significant contribution to the growth and development of the Company.

Many people, in the field and in the Head Office, have contributed to the results achieved in 1965, and the Directors are warmly appreciative of their efforts.

The Monarch Life will celebrate its Diamond Jubilee on July 4, 1966. It seems an understatement to say that these sixty years have been eventful but no adjective, however colourful, can convey to the young man or woman reaching maturity in 1966 the changes in outlook, in concept, in material things and in psychological matters, which have been the events of these sixty years, events which, time after time, seemed to wipe out the past and transform the future.

A life insurance company, however, is a unique institution. In the midst of change, its history and its future live with it; its past is not wiped out and its future is a present concern. Our first kind of insurance policy and our first scale of premiums are still present business because men who bought these policies, in 1906 and 1907, are still insured. In 1966, we must be conscious that policies now sold will be part of "present" business in 2026, but they will be only if the insurance provided has satisfied the needs of the buyer.

The salesmen and specialists, the administrators and executives of a life insurance company must be acutely conscious of the future and the way it will change. They must be acutely conscious that people, in all walks of life, depend on them.

A life insurance company demands integrity and wisdom and vision from its people. It is a high price but the sixty years of the Monarch past demonstrate that the people of this Company have tried, and to a creditable degree, succeeded. Knowing our obligations, we approach the future of the Monarch and the future of our policyholders determined to achieve ever improving results.

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STATEMENT OF FINANCIAL POSITION DECEMBER 31, 1965

ASSETS

	For the Year	
	1965	1964
BONDS	\$ 64,508,263	\$ 63,443,994
PREFERRED STOCKS	43,400	174,505
COMMON STOCKS	1,954,033	1,489,586
In the aggregate, the authorized value of the foregoing bonds and stocks is in excess of the book values shown above.		
MORTGAGES	37,670,634	30,637,314
First encumbrances on improved real estate		
REAL ESTATE		
Properties purchased for income	4,271,302	3,438,388
Properties held for company use	2,500,000	2,500,000
LOANS ON POLICIES	4,844,987	4,792,629
Fully secured by the cash surrender values of the policies.		
CASH	315,143	391,620
INTEREST ACCRUED AND DIVIDENDS DECLARED	833,981	794,483
NET PREMIUMS IN COURSE OF COLLECTION	302,306	398,684
OTHER ASSETS	105,857	68,969
	<u>\$117,349,906</u>	<u>\$108,130,172</u>


President

AUDITORS

January 20, 1966

To the Policyholders and Shareholders of The Monarch Life Assurance Company:

We have examined the statement of financial position of The Monarch Life Assurance Company as at December 31, 1965 and the statements of revenue and surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The policy reserves and other liabilities under policy contracts are stated at amounts certified to by the company's actuary. The investments in bonds and stocks are stated at values which, in total, are less than the sum



FINANCIAL POSITION

December 31, 1965

LIABILITIES, CAPITAL AND SURPLUS

For the Year

	1965	1964
POLICY RESERVES	\$ 89,679,672	\$ 82,918,623
The amount which with future premiums and interest will provide for the payment of all benefits on policies in force.		
POLICY CLAIMS AWAITING PROOF	454,259	437,934
Including \$50,000 provision for unreported death claims.		
OTHER POLICY OBLIGATIONS	8,214,654	7,163,662
Policy proceeds left on deposit with the company and premiums paid in advance.		
DIVIDENDS TO POLICYHOLDERS	2,663,141	2,524,933
Provision for all policyholders' dividends payable in 1966 and all other dividends accrued to the end of 1965.		
STAFF PENSION FUND	2,727,979	2,503,450
OTHER LIABILITIES	330,367	523,101
Commissions, taxes and other expenses due and accrued, receipts not yet allocated and shareholders' dividends payable January 3, 1966.		
	<u>104,070,072</u>	<u>96,071,703</u>
SHARE CAPITAL	1,000,000	1,000,000
100,000 shares of \$10 par value each.		
CONTINGENCY RESERVE	2,500,000	2,250,000
SURPLUS:		
Shareholders' fund	140,614	139,258
Insurance funds	9,639,220	8,669,211
	<u>\$117,349,906</u>	<u>\$108,130,172</u>


Vice-President

REPORT

of the amortized values of eligible government bonds and the market values of other securities based on figures furnished by the Department of Insurance of Canada.

In our opinion, the accompanying statement of financial position and the statements of revenue and surplus present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants

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STATEMENT OF REVENUE

	For the Year	
	1965	1964
<i>The Company's Revenue was:</i>		
Premiums and annuity considerations	\$13,086,360	\$12,258,183
Investment income, less expenses	6,342,233	5,737,320
	<u>\$19,428,593</u>	<u>\$17,995,503</u>
<i>This Revenue was used for:</i>		
Death and disability benefits	\$ 1,660,046	\$ 1,511,871
Matured endowments	805,438	888,772
Annuity payments	671,363	509,327
Surrender benefits	2,880,663	2,644,498
Dividends to policyholders	1,253,340	1,357,527
Increase in reserves for future payments to policyholders and beneficiaries	7,363,734	6,469,750
	<u>\$14,634,584</u>	<u>\$13,381,745</u>
Taxes, licences and fees	193,406	190,470
Commissions on premiums and annuity considerations	884,117	871,541
General expenses	2,194,670	2,064,445
	<u>\$17,906,777</u>	<u>\$16,508,201</u>
<i>Balance of revenue for the year carried to surplus — (note)</i>	<u>\$ 1,521,816</u>	<u>\$ 1,487,302</u>

STATEMENT OF SURPLUS

	For the Year	
	1965	1964
<i>INSURANCE FUNDS</i>		
Surplus in Insurance Funds January 1 — (note)	\$ 8,669,211	\$ 7,814,738
Balance of revenue for the year	1,521,816	1,487,302
Adjustments to book values of assets, and profits and recoveries on sale of securities (net)	(107,206)	(197,017)
	<u>\$10,083,821</u>	<u>\$ 9,105,023</u>
Transfer to Shareholders' Fund	194,601	185,812
Transfer to Contingency Reserve	250,000	250,000
	<u>\$ 444,601</u>	<u>\$ 435,812</u>
<i>Surplus in Insurance Funds December 31</i>	<u>\$ 9,639,220</u>	<u>\$ 8,669,211</u>
<i>SHAREHOLDERS' FUND</i>		
Surplus in Shareholders' Fund January 1	\$ 139,258	\$ 137,714
Transfer from Insurance Funds	194,601	185,812
	<u>\$ 333,859</u>	<u>\$ 323,526</u>
Income taxes	88,245	84,268
Dividends to shareholders	105,000	100,000
	<u>\$ 193,245</u>	<u>\$ 184,268</u>
<i>Surplus in Shareholders' Fund December 31</i>	<u>\$ 140,614</u>	<u>\$ 139,258</u>

Note: The 1964 figures have been restated to correct an underprovision of \$179,869 in the 1964 policy reserves.



BOARD OF DIRECTORS

J. ELMER WOODS
President

C. GORDON SMITH, LL.D.
Vice-President

* GORDON M. BOWES, O.B.E.

PAUL N. DuVAL

WILLIAM A. JOHNSTON, Q.C.

* RICHARD S. MALONE, O.B.E.

* WILLIAM B. PARRISH

KENNETH A. POWELL

* S. PRICE RATTRAY

CONRAD S. RILEY

STEWART A. SEARLE

GEORGE E. SHARPE

* Policyholders' Directors

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EXECUTIVE OFFICERS

DARRELL LAIRD, F.S.A., F.C.I.A.
Vice-President and General Manager

HAROLD THOMPSON, F.S.A., F.C.I.A.
Vice-President and Director of Sales

A. E. TARR, A.S.A., F.C.I.A.
Vice-President and Treasurer

C. J. ROGERS, F.L.M.I., F.C.I.S.
Secretary

C. J. STAFFORD, F.S.A., F.C.I.A.
Actuary, Ordinary Insurance

D. B. STEVENS, F.S.A., F.C.I.A.
Actuary, Group Insurance

ANDRÉ CROTEAU, A.S.A.
Manager, Policyholder Service

D. G. EDMOND, A.A.C.I.
Manager Mortgage & Real Estate Investments

H. R. MAGEE
Assistant to the General Manager

R. A. WANKLING, C.A.
Comptroller

V. M. CAMPBELL
Superintendent of Group Sales

J. P. GEMMELL, M.D., M.R.C.P. (Lond.) F.R.C.P.(C)
Medical Director

D. F. McCOLL
Assistant Superintendent of Sales

J. G. TURNER, C.L.U.
Sales Assistant

C. E. ADDISON, F.L.M.I.
Secretary, Sales Department

JACK LYON
Supervisor of Sales Promotion

R. E. GARLAND, C.A.
Accountant

P. J. SAWCHUK
Projects Manager

J. D. REGER
Supervisor of Data Processing

E. F. JOHNSTON
Supervisor of Premium Accounting
and Commission Accounting

N. L. HANDFORD
Supervisor of Underwriting

T. WEBER, F.L.M.I.
Secretary, Policy Issue

C. M. MEDERSKI
Secretary, Policy Changes

E. F. HARLOW
Group Secretary

BRANCH OFFICES

		TELEPHONE NUMBER	AREA CODE
VICTORIA	P. P. LOWE, 12 Yarrow Building	384-0584	604
VANCOUVER	G. M. PAYNE, C.L.U., 301-7 Rayonier Building	684-5322	604
EDMONTON	H. D. WALLACE, 100th Avenue Building L. L. Johnson, Assistant Manager	422-6125	403
RED DEER	W. E. SOUTHORN, C.L.U., 600 Professional Building	347-1135	403
CALGARY	R. H. OLBERG, C.L.U., 1000 B.A. Oil Building	263-4070	403
SASKATOON	A. J. MALAKOE, C.L.U., 305-4th Avenue North	242-8859	306
REGINA	C. J. LIPTON, 701 McCallum Hill Building J. H. Provick, Assistant Manager	523-9631	306
BRANDON	A. JOSEPHSON, 29 Clement Block	726-4711	204
WINNIPEG	T. USTER, 333 Broadway	943-4331	204
FORT WILLIAM	W. J. LYSAK, 1103 Victoria Avenue	622-6444	807
WINDSOR	C. E. SMALL, 1015 University Avenue	254-9645	519
LONDON	D. R. BANKES, Lower Mall, Wellington Square	433-4083	519
HAMILTON	M. A. SLESSOR, 311 Royal Bank Building	522-9274	416
TORONTO	J. LOMAN, C.L.U., 903-55 Yonge Street J. Kilgallin, Assistant Manager	364-9118	416
DON MILLS	P. V. SABOURIN, C.L.U., 301-29 Gervais Drive	429-0813	416
OSHAWA	R. A. SLANEY, C.L.U., Oshawa Shopping Centre	725-6588	416
OTTAWA	E. E. LAUGHREN, 810 Kent Building	233-4457	613
MONTREAL	I. J. HALPERIN, C.L.U., 545-3300 Cavendish Boulevard	489-4968	514
SHERBROOKE	F. LARKIN, 202-780 King Street West	562-7272	819



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HEAD OFFICE WINNIPEG